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State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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February 21, 1991

TO: John Blake, Division of State Lands and Forestry

THRU: Lowell P. Braxton, Associate Director, Mining *Lowell P. Braxton*

FROM: D. Wayne Hedberg, Permit Supervisor *DWH*

RE: Request for Review of Bonding Information, Geokinetics Incorporated, Seep Ridge Project, M/047/002, Uintah County, Utah

On February 1, 1991, this Division received a request from you regarding your concern over the adequacy of the amount of reclamation surety provided by Geokinetics Incorporated for their suspended Seep Ridge Project. Your memorandum indicated that the property is being offered for issuance of a new state mineral lease and that a review of the current reclamation surety is now timely.

Anthony Gallegos, reclamation engineer for the Minerals Regulatory Program re-evaluated the existing reclamation surety estimate and has prepared a revised estimate (copy attached). As you can see from the revised estimate, after adjusting it to reflect actual escalation rates since 1986, the amount of reclamation surety in 1991 dollars would be \$96,141. This is well within the current surety amount of \$100,000 held by State Lands and Forestry. Typically, when approving a large mine plan application, we calculate our reclamation surety in "today's dollars", add a 10% contingency, and then escalate that amount 5 years into the future.

Prior to reinitiating mining activities on the properties, a permit transfer (or new permit application) and replacement surety will need to be filed and approved by this Division. We would need to perform a site inspection to verify the extent of remaining structures, disturbances, etc., and the success of any reclamation efforts performed to date. A new reclamation estimate would be prepared based upon the results of that inspection and the proposed mining and reclamation plan provided by the new operator.

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I hope this will satisfy your concerns regarding the adequacy of the existing surety for this project. Please call should you have further questions in this matter.

jb
Attachment
cc: W. Hedberg
T. Gallegos
MN2/13-14

SURETY ESTIMATE UPDATE

Geokinetics Incorporated

Seep Ridge Project M/047/002 Uintah County

Prepared by Utah Division of Oil, Gas & Mining

Last Update February 7, 1991

DESCRIPTION:

- Original reclamation estimate was revised (reduced) in December 1986
- Revised amount was \$89,028 in 1986 dollars
- Escalation factors through 1990 are actual Means Historical Cost Indices
- Current bond held by State Lands & Forestry for the Division = \$100,000

CALCULATIONS		Seep Ridge	
		ESCAL FACTOR	BOND AMOUNT
$F = P(1 + i)^{**n}$	YR		
	1977	0.0870	0
	1978	0.0710	\$0
F = Future Sum	1979	0.0860	\$0
P = Present Sum	1980	0.0860	\$0
i = Escalation Factor	1981	0.0991	\$0
n = number of periods	1982	0.0940	\$0
	1983	0.0104	\$0
	1984	0.0092	\$0
	1985	0.0290	\$0
	1986	0.0210	\$89,028
	1987	0.0195	\$90,764
	1988	0.0181	\$92,407
	1989	0.0177	\$94,042
	1990	0.0077	\$94,767
Three Yr Average = 1.45%	1991	0.0145	\$96,141
Used to Project 5 Yrs	1992	0.0145	\$97,535
Into the Future	1993	0.0145	\$98,949
From the Year 1991	<u>1994</u>	0.0145	<u>\$100,384</u>
	1995	0.0145	\$101,839
	1996	0.0145	\$103,316

You ARE
HERE



<-- >\$100,000

Updated Surety Amount Rounded (1996 \$)

\$103,000